

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Water Branch

RESOLUTION W-4527  
April 7, 2005

**R E S O L U T I O N**

**(RES. W- 4527), GRAEAGLE WATER COMPANY (Graeagle). ORDER AUTHORIZING A THIRTY-SIX MONTH RATE SURCHARGE FOR RECOVERY OF ITS UNANTICIPATED EXPENSE MEMORANDUM ACCOUNT PRODUCING AN INCREASE OF \$ 38,124 OR 11.04% FOR A TOTAL OF \$114,373.**

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**SUMMARY**

By Advice Letter 40, dated November 1, 2004, Graeagle seeks to recover unanticipated expenses for repair of its water treatment plant. Recovery would require revision of Tariff Schedules Nos. 1, General Metered Service, 2, General Flat Rate Service, 2S, Seasonal Flat Rate Service, and 6, Seasonal Flat Rate Irrigation Service. This Resolution authorizes Graeagle to implement a surcharge of \$ 0.212 per Ccf (One Ccf is equal to one hundred cubic feet) for metered customers and 10.90% for flat rate customers (applied to each rate category) for a thirty-six month period to recover costs booked to its Unanticipated Expense Memorandum Account. The surcharge amounts are shown in Appendix A.

**BACKGROUND**

Decision 92-03-093, dated March 31, 1992, authorized Class C and Class D water utilities to establish a memorandum account to track unanticipated costs of repairs and to notify the Water Branch (Branch) when it has done so. Graeagle informed the Branch by letter dated November 24, 2003 that substantial unanticipated repairs to the filter beds of its water treatment plant were necessary. By letter dated December 2, 2003, Branch directed Graeagle to track the expenses associated with the repairs in a separate account and to request recovery upon completion of the project.

In its letter of November 1, 2004, Graeagle requested to recover the memorandum account balance of \$114,373.39 with a surcharge of \$5.73 per month per connection for a period of 24 months.

Graeagle presently provides service to approximately 174 metered and 696 flat rate customers in a service area located in the unincorporated community of Graeagle,

which is approximately 12 miles southwest of Portola, Plumas County. Graeagle's last general rate increase was approved on January 18, 2001, by Res. W-4244, which authorized an increase of \$30,224 or 9.59%.

### **NOTICE AND PROTESTS**

Notice of the rate increase was mailed to each customer on February 14, 2005. The Branch received four letters protesting the rate increase. The topics covered by the customer letters include; the impact of the increase on fixed income residents, the fairness of charging the same surcharge to metered and flat rate customers, and a concern that they were being charged to increase capacity rather than for repairs only. Graeagle responded to each letter by mail and provided copies to the Branch.

### **DISCUSSION**

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, expenses which Graeagle incurred in unanticipated repairs to its water treatment plant. In Decision 92-03-093, the Commission authorized Class C and D water companies to establish memorandum accounts for unanticipated expenses. Graeagle followed the prescribed procedure by timely advising Water Branch in writing of the need for the memorandum account on November 24, 2003. Using Graeagle's 2003 Annual Report, the Branch determined that Graeagle did not exceed their authorized rate of return on a recorded basis. The increase will not result in a rate of return greater than last authorized for Graeagle.

Branch has reviewed Graeagle's last general rate increase authorized in January 2001 (Res. W-4244) and believes that Graeagle could not have anticipated the expenses and, therefore, did not receive enough revenue for the recently incurred expenses to repair their water treatment plant. Branch reviewed Graeagle's expenditures recorded in its unanticipated expenses memorandum account and found them reasonable. Branch also determined that the repairs did not increase the overall capacity of the treatment plant.

Graeagle requested to recover the memorandum account in a 24-month period. Since the requested increase exceeds 10% of the last authorized revenue requirement Standard Practice U-27-W prescribes that recovery be spread over 36 months. Using this prescribed period will make the surcharge more affordable for the customers and will not unduly burden Graeagle. Therefore, the branch recommends a 36-month recovery period.

Graeagle's original request was for an equal surcharge amount for each service connection. However, repairs to the water treatment plant are a water production related expense. Standard Practice U-27-W prescribes that such charges be applied in proportion to the quantity of water used. In the case of metered customers the surcharge is applied to the quantity rate. For flat rate customers the surcharge is

adjusted to reflect the same factors as the flat rate schedule itself. In this case, a surcharge is calculated for each flat rate category using a fixed percentage of the existing tariff rate. Branch recommends the surcharge amounts given in Appendix A, which are based on the standard practice.

The recommended surcharge is \$ 0.212 per Ccf for metered customers and 10.90% for each rate category in the flat rate schedules for a period of thirty-six months. The surcharge rates are shown in Appendix A. The Branch recommends that Graeagle be required to track revenues collected under the surcharge and refund any excess revenues collected to the ratepayers.

Graeagle has no outstanding Commission orders.

### **FINDINGS**

1. The expenses booked to the Unanticipated Repair Cost Memorandum Account are reasonable.
2. The Commission finds, after investigation by the Branch, that the rate surcharge hereby authorized is justified and the resulting rates are just and reasonable.
3. This is an uncontested matter subject to the public notice comment exclusion provided in the PUC Code Section 311 (g) (3).

### **THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 for Graeagle Water Company to incorporate the revised schedules attached to this resolution as Appendix A, and concurrently to cancel its presently effective rate schedules Nos. 1, General Metered Service, 2, General Flat Rate Service, 2S, Seasonal Flat Rate Service, and 6, Seasonal Flat Rate Irrigation Service. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of its filing.
2. Graeagle Water Company shall track the revenue from the surcharge in a balancing account as required by Public Utilities Code § 792.5.<sup>1</sup>

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<sup>1</sup> **Public Utilities Code 792.5 states:**

Whenever the commission authorizes any change in rates reflecting and passing through to customers specific changes in costs, except rates set for common carriers, the commission shall require as a condition of such order that the public utility establish and maintain a reserve account reflecting the balance,

April 7, 2005

3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 7, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
DIAN M. GRUENEICH  
Commissioners

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whether positive or negative, between the related costs and revenues, and the commission shall take into account by appropriate adjustment or other action any positive or negative balance remaining in any such reserve account at the time of any subsequent rate adjustment.

**APPENDIX A**  
**Sheet 1**  
**GRAEAGLE WATER COMPANY**

**Schedule No. 1**

**GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southeast of the city of Portola, Plumas County.

**RATES**

Quantity Rate:

All Water used per 100 cu. ft.....	\$0.935
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Service Charge:

	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter	\$14.32
For 3/4-inch meter	\$21.49
For 1-inch meter	\$35.81
For 1-1/2-inch meter	\$71.62
For 2-inch meter	\$114.59
For 3-inch meter	\$150.00
For 4-inch meter	\$270.00

The service charge is a readiness-to-serve charge which is applicable to metered service and to which is added the monthly charge computed at the Quantity Rate.

**SPECIAL CONDITIONS**

1. The established billing cycle for service is every two months.
2. All water sold is subject to a surcharge of \$0.212 per 100 cu. ft. for a period of (N)  
36 months beginning the effective date of the advice letter. (N)
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
4. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

**APPENDIX A**  
**Sheet 2**  
**GRAEAGLE WATER COMPANY**

**Schedule No. 2**

**GENERAL FLAT RATE SERVICE**

**APPLICABILITY**

Applicable to all flat rate water furnished on an annual basis.

**TERRITORY**

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

**RATES**

	<u>Per Service</u> <u>Per Year</u>	<u>Surcharge Per Service</u> <u>Per Year</u>	(N) (N)
1. For a single-family residence, business establishment, or manager's quarters of a motel or trailer park, including premises.....	\$352.90	\$38.47	(N)
2. For additional buildings in the same premises and served from the same service connection:			
(1) each residence, cabin, or trailer with housekeeping accommodations...	\$147.65	\$16.09	(N)
(2) each hotel or motel room with bathroom facilities only...	\$74.29	\$8.10	(N)
(3) each trailer facility with partial plumbing.....	\$52.03	\$5.67	(N)
1-inch service.....	\$529.34	\$57.70	(N)
1-1/2-inch service...	\$811.66	\$88.47	(N)
2-inch service.....	\$1,129.25	\$123.09	(N)
4-inch service.....	\$2,064.41	\$225.02	(N)

**SPECIAL CONDITIONS**

1. The established billing cycle for service is every two months.
2. All bills are subject to the surcharges set forth above for a period of 36 months beginning the effective date of the advice letter. (N)  
(N)
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
4. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

**APPENDIX A**

**GRAEAGLE WATER COMPANY**

**Schedule No. 2S**

**SEASONAL FLAT RATE SERVICE**

**APPLICABILITY**

Applicable to all flat rate water furnished on an annual basis.

**TERRITORY**

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

**RATES**

	<u>Per Service</u> <u>Per Year</u>	<u>Surcharge Per Service</u> <u>Per Year</u>	(N)
1. For a single-family residence, business establishment, or manager's quarters of a motel or trailer park, including premises.....	\$335.00	\$36.52	(N)
2. For additional buildings in the same premises and served from the same service connection:			
(1) each residence, cabin, or trailer with housekeeping accommodations...	\$140.00	\$15.26	(N)
(2) each hotel or motel room with bathroom facilities only...	\$70.00	\$7.63	(N)
(3) each trailer facility with partial plumbing.....	\$49.00	\$5.34	(N)

**SPECIAL CONDITIONS**

1. The above flat rates apply to service connections not larger than 3/4-inch in diameter.
2. The established billing cycle for service is every two months.
3. The seasonal service charge applies to service during the 8-month period commencing ending March 16 and November 15.
4. All bills are subject to the surcharges set forth above for a period of 36 months beginning the effective date of the advice letter. (N)  
(N)
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
6. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

**APPENDIX A**

**GRAEAGLE WATER COMPANY**

**Schedule No. 6**

**SEASONAL FLAT RATE IRRIGATION SERVICE**

**APPLICABILITY**

Applicable to all flat rate water furnished to outside irrigators with service Connections larger than 3/4-inch on a seasonal basis.

**TERRITORY**

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

**RATES**

	<u>Per Service</u> <u>Per Year</u>	<u>Surcharge Per Service</u> <u>Per Year</u>	(N) (N)
1-inch service	\$352.90	\$38.47	(N)
1-1/2-inch service	\$574.00	\$62.57	(N)
2-inch service	\$798.00	\$86.98	(N)
4-inch service	\$1,466.00	\$159.79	(N)
Feather River Park Golf Course	\$5,681.00	\$619.23	(N)

**SPECIAL CONDITIONS**

1. The utility may, at its discretion, interrupt service to irrigation customers during the following periods: Memorial Day Weekend, July Fourth Weekend, or Labor Day Weekend; with such interruptions only to be used in the case that service to other customers would be impacted by continued irrigation. No service should be interrupted for more than four days. No punitive action under Rule 15 should be triggered by excessive use of irrigation water for one week before and one week after any service interruption.
2. The seasonal service charge applies to service during the 8-month period commencing March 16 and ending November 15.
3. The established billing cycle for service is every two months.
4. All bills are subject to the surcharges set forth above for a period of 36 months beginning the effective date of the advice letter. (N)  
(N)
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
6. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.